

ACCOUNTING POLICY

TOPIC: Section 1--Business Standards 2.0	EFFECTIVE DATE: 3/15/88
TITLE: Standards of Business Conduct	REVISION DATE: 2/7/03
AUTHORIZED BY: Cheryl Thompson, Deputy Director	PAGE 1 OF 4

**BACKGROUND**

The sensitive nature of fiscal positions and their unique responsibilities make proper standards of business conduct paramount for public accountability and achieving trust in this Department's financial actions. These standards are intended for all Department staff in positions responsible for financial decisions, handling money, fiscal transactions, accounting or data processing. Such positions include but are not limited to Fiscal Officers, Accountants, Auditors, Financial Specialists, Fiscal Clerks, Administrative Assistants, Data Entry Operators, Management Information Specialists, Purchasing Agents and Assistants, and Business Managers.

Management and public trust in accounting transactions depends upon ethical conduct by employees and also upon a strong system of internal control. Broadly defined, internal control includes the organization and all measures taken by a business to safeguard assets, to ensure accuracy in accounting and operating data, to promote operational efficiency, and compliance with established policies and accountability.

**ETHICAL STANDARDS OF CONDUCT**

These standards are summarized in the *DHFS Employee Handbook*. There are several sections that are especially important for employees in fiscal or related positions. These are summarized below:

- A. **Conflict of Interest.** A conflict of interest must not exist on the part of an employee. A conflict is defined whenever:
- "The employee's action or failure to act propitiously could reasonably be expected to directly or indirectly produce or assist in producing a private benefit for the employee or the employee's immediate family or an organization with which the employee is associated; or
  - The concern is one in which the employee in his or her private capacity; or a member of the employee's immediate family; or an organization with which the employee is associated, has a substantial interest."

Conflict of interest is prohibited. This situation is particularly possible for employees involved in purchasing or contracting. Each

division in the Department should develop guidelines for employees and supervisors identifying specific job situations that always constitute a conflict of interest. Outside employment, which may pose a conflict of interest, must be reviewed and approved prior to acceptance of the employment. Approval must be sought through the supervisory chain of command. The appointing authority makes approval or denial.

- B. **Personal and Business Relationships.** Contracts and leases are covered under this provision. In general, the code calls for written disclosure of the nature and extent of relationship or interest prior to contracting.

No employee, member of their immediate family, nor any organization with which the employee or a member of their immediate family owns or controls at least 10 percent of the outstanding equity, voting rights, or outstanding indebtedness may enter into any contract or lease involving payment or payments of more than \$3,000 within a 12-month period, in whole or in part derived from state funds unless the employee has first made written disclosure of the nature and extent of such relationship or interest to the appointing authority and obtained the appointing authority's written approval.

- C. **Use of State Property and Time.** Employees may not use their positions, state property, or state time for their private benefit. The code prohibits conducting private business from state offices on state time.
- D. **Acceptance of Gifts.** Employees may not solicit or accept money or anything of value if it could reasonably be expected to influence an employee's official actions or judgment.

#### **DEPARTMENT WORK RULES**

Besides the provisions of the Department Ethics Code, there are also Department Work Rules, which apply to business conduct. These rules are contained in the *DHFS Employee Handbook*. Work rules that specifically apply to business conduct are rules three and eleven. In particular, Work Rule Three prohibits stealing, neglect, destruction or unauthorized use of state-owned or leased property, equipment or supplies. Rule Eleven prohibits unauthorized solicitation for any purpose while on duty or on state property.

In addition to the Code of Ethics and the Work Rules, there have been other procedures and directives published which define appropriate business conduct. Two critical areas are cash handling and contracting.

#### **CASH HANDLING PROCEDURES**

Cash handling procedures are documented in **Section 2-Cash and Cash Equivalents 1.0** (Handling of Cash Receipts). This procedure reviews the statutory requirements for the receipt and deposit of monies. Minimum acceptable procedures for cash handling are also covered in this procedure.

The most important aspect of these procedures as they affect staff in fiscal positions is the requirements for separation of duties and the prohibition against using cash on hand to cash checks for employees or others. Separation of duties specifies that different individuals should be assigned the responsibility for collection, deposit and reconciliation of deposits to

accounting records. Other aspects of the procedure deal with collection location, receipt issuance, record keeping, deposit frequency and cash receipt shortage and overage.

### **CONTRACTING**

Although the subject of contracting appears in the Department Code of Ethics, there are some additional recommendations that should be followed for good business conduct. Individuals engaged in contract decisions should consult with their supervisor if there is any question as to the propriety of a given contract decision in terms of conflict of interest. Contracting with relatives or organizations in which one has an interest is not appropriate. Personal financial gain from a contract or lease decision is prohibited.

### **CHECK PROCESSING**

There are occasions when vendors or potential recipients of state funds are in violation of the conflict of interest code, or are suspected of other inappropriate acts or malpractice. If questions arise in these areas, the individual or fiscal unit responsible for processing state checks to such parties has the obligation to bring the concerns to his or her supervisor or the Bureau of Fiscal Services before a check is processed.

### **DATA PROCESSING**

The use of data processing technology in support of accounting has been standard for the last twenty years. While data processing technology increases productivity, it also presents challenges for good internal control and business conduct. A number of security procedures have been instituted to safeguard data stored on departmental computers.

Security for department computer records is covered in the *Department of Electronic Government (DEG) Customer Handbook*. Each individual must have a data processing ID (LOGON ID) assigned to them. There is also a password associated with each user's LOGON ID. This password must be changed at least once every 60 days. Individual passwords must not be shared or disclosed to other individuals. Individuals, when logged on to the Fiscal Management System (FMS) via mainframe computer, must not leave their terminal while still logged on. When an individual must leave the terminal, it is essential that they log off their terminal.

Security for accounting and other data on the department's mainframe computer is provided by the software package ACCESS CONTROL FACILITY 2 (ACF2). ACF2 allows access to data sets through rules written for each data set or groups of data sets.

The rules allow log or abort access to the data set based on the LOGON ID of the user requesting access. Remote Access Control Facility (RACF) rules are written and maintained by Divisional Data Security Officers. These individuals are also responsible for arranging for the assignment of LOGON ID numbers by the BIS ACF2 Security Officer. Procedures for RACF are described in the *DEG Customer Manual*, #2.53.2.

Editing of accounting data via on line edit packages presents unique security challenges. A second individual in an area removed from the area where edits

are performed should always review this work. In addition, computerized crosschecks and totals should be executed after edits are performed.

The Fiscal Management System (FMS) also has an internal security package that further safeguards accounting data. Section IV of the *FMS Manual* describes security procedures for the system. There is an FMS Department security Officer and also Divisional Security Officers. Before an individual is authorized for access to FMS, all DEG LOGON ID and ACF2 clearances must be obtained. Once these have been obtained, the appropriate FMS Security forms must be completed by the Division Security Officer and forwarded to the Department Security Officer. Access for individuals can be secured for the system functions they perform, such as data entry or inquiry only. They may also be restricted to certain appropriation and center codes within the system.

Those charged with enforcing ACF2 and FMS Security rules will allow access to accounting data at the most restrictive level necessary for normal operations. Access should always be based on actual need for use rather than convenience.

#### **IF QUESTIONS OR CONCERNS**

The above standards are intended to serve only as a guide for good business conduct within the Department. Unique situations will require consultation with a supervisor or the Bureau of Fiscal Services.

All inquiries or contacts on suspected violations of Department work rules or good business conduct will be held in confidence by the Bureau of Fiscal Services if desired by the caller. Contact number is 266-5869.

#### **REFERENCES**

Standards of Conduct; State Public Officials, see Section 19.45 (1),  
Wisconsin Statutes

Department Code of Ethics, Chapter 254, *DHFS Supervisor's Manual*

Department Work Rules, *DHFS Employee Handbook*, Chapter G-1 through G-3

DHFS APP **Section 2—Cash and Cash Equivalents 1.0** (Handling of Cash  
Receipts)

FMS Manual

IT Policies and Standards (3.1 - 3.7)

Department of Electronic Government (DEG)

#### **CONTACTS**

Donald N. Warnke, Director  
Bureau of Fiscal Services  
(608) 266-5869